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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## PROPERTY TAX DEDUCTION FAQ AUDITOR'S ASSOCIATION 2010 SPRING CONFERENCE

*Indiana Department of Local Government Finance  
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1. **Is a purchase agreement the same as a land contract? It is recorded and has all of the information – property description, term of agreement, monthly payment, notarization, etc. Can the purchaser file for deductions based on this purchase agreement?**

A person who is buying a property under a contract, which is recorded in the county recorder's office and provides that he or she is to pay the property taxes, is eligible to file for property tax deductions on that property. No specific type of contract or agreement is required.

2. **An individual has filed for a disabled veteran deduction on property in which he has a 5 percent interest. His children own the remaining 95 percent. Is he eligible for the disabled veteran deduction?**

Yes. The individual may apply his disabled veteran deduction, assuming all eligibility requirements are met, to any property of which he is an owner.

**Can he receive the full homestead deduction on the property? His children own and are claiming homestead deductions on their own properties.**

Yes. Assuming the individual meets all eligibility requirements – he is an owner of the property, the property is his primary residence and he is not claiming homestead benefits on any other property – the individual will receive the full homestead deduction on the property (the lesser of 60 percent of the assessed value of the homestead property or \$45,000).

3. **A taxpayer is married and not interested in divorce although the married couple has been separated for 10 years. Both the husband and wife live in separate houses, pay their own utilities, etc. How does the auditor determine which spouse gets to keep the homestead deduction? What guidelines should be followed?**

A married couple is limited to one homestead deduction. If it is discovered that a married couple is receiving more than one homestead deduction, the county auditor should contact both spouses and provide them the opportunity to choose which property they wish to claim as their primary residence. If the married couple is not able or refuses to make a decision, the county auditor may choose from which property to remove the deduction based on the county's established practice.

**4. A home is owned by a trust and a beneficiary of the trust lives in the home. Can the beneficiary receive the homestead deduction?**

A trust is entitled to the homestead deduction for property owned by the trust and occupied by an individual, if the county auditor determines that the individual:

- (1) upon verification in the body of the deed or otherwise, has either:
  - a. a beneficial interest in the trust; or
  - b. the right to occupy the property rent free under the terms of a qualified personal residence trust created by the individual under United States Treasury Regulation 25.2702(c)(2);
- (2) otherwise qualifies for the deduction; and
- (3) would be considered the owner of the property under IC 6-1.1-1-9(f) or IC 6-1.1-1-9(g).

**5. A trust is established by parents. A disabled child lives on the property owned by the trust, but the disabled child has no beneficial interest in the trust. Can the homestead be allowed?**

See above answer. If the disabled child does not have a beneficial interest in the trust or the right to occupy the property rent free under the terms of a qualified personal residence trust, the disabled child is not eligible to claim deductions on the property owned by the trust.

**6. Can an Over 65 Deduction result in a \$0 tax bill for a parcel?**

Yes. The amount of the Over 65 Deduction is the lesser of \$12,480 or ½ of the assessed value of the property. The application of this deduction to a property may result in a \$0 tax bill when combined with other deductions.

**7. If my husband and I own two properties with a mortgage on each property, can we file two mortgage deductions?**

The married couple limitation that applies to the homestead deduction does not apply to the mortgage deduction. Each person is entitled to up to \$3,000 in mortgage deductions. Therefore, the wife may claim a \$3,000 mortgage deduction on one property and the husband may claim a \$3,000 mortgage deduction on the other property. No more than \$3,000 in mortgage deductions may be applied to a single property.

**8. I have a mortgage on my residence and a mortgage on my business property. Can I apply for a mortgage deduction on each of these properties?**

The sum total of mortgage deductions received by a person cannot exceed \$3,000. Therefore, if both the residence and business property are owned by the same person, the person cannot apply a \$3,000 mortgage deduction to each property. However, the person could apply a \$1,500 to the residence and a \$1,500 mortgage deduction to the business property. If the residence is owned by an individual and the business property is actually owned by the business itself, a \$3,000 mortgage deduction may be applied to both properties. For example, Joe Smith owns his residence. Joe also owns his own business – Smith Enterprises, LLC. The property occupied by the business is titled to Smith Enterprises, LLC. Joe Smith can receive a \$3,000 mortgage deduction on the residence property, and Smith Enterprises, LLC can receive a \$3,000 mortgage deduction on the business property. Joe Smith and Smith Enterprises are two different persons.

- 9. What is the purpose of the pink homestead verification form if taxpayers can mail them in and write anything in the identification numbers they want? If these numbers aren't verified in person, someone who is already (or is trying) to commit homestead fraud will. Taxpayers should be required to provide the identification whether in person or copied by mail.**

The homestead verification form allows taxpayers to verify their residency and eligibility for the homestead deduction. A taxpayer who signs the homestead verification form does so under penalties of perjury, which is a Class D felony. In addition, per 50 IAC 24-3-2, an auditor may request proof that the residence is an applicant's principal place of residence. If an auditor believes that the information provided on the homestead verification form is not accurate, additional information may be requested. A full list of appropriate documentation is provided in 50 IAC 24-3-2 at <http://www.in.gov/legislative/iac/T00500/A00240.PDF>.

- 10. Who is responsible for collecting the documentation and determining the amount of the solar energy heating or cooling system deduction?**

The amount of the deduction equals the out-of-pocket expenditures by the owner (or previous owner) of the real property or mobile/manufactured home the components and the labor involved in installing the components that are unique to the system and that are needed to collect, store or distribute solar energy. Owner may provide invoices or other evidence of a purchase and installation including, but not limited to, payment receipts, cancelled checks, bank statements, work orders, contracts or other similarly reliable evidence of the expenditures. Sufficient proof of out-of-pocket expenditures must be submitted with the deduction application to the county auditor. The county assessor or township assessor, if applicable, must verify the information in the deduction application. Upon verification by the assessor, the county auditor must allow the deduction.